

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009**

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SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2008 Election)

Todd Herrig	President	2011
Kevin Lindquist	Vice President	2011
Kevin Ehlers	Board Member	2009
Sara Fassler	Board Member	2009
Jeannette Hasley	Board Member	2011

(After September, 2008 Election)

Todd Herrig	President	2011
Kevin Lindquist	Vice President	2011
Kevin Ehlers	Board Member	2009
Sara Fassler	Board Member	2009
Jeannette Hasley	Board Member	2011

SCHOOL OFFICIALS

Dr. Dan Frazier	Superintendent
Angela Smith	District Secretary/Treasurer

Independent Auditors' Report

To the Board of Education of the
Sioux Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of Sioux Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and pages 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
December 9, 2009

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$5,238,095 in fiscal 2008 to \$5,336,671 in fiscal 2009, while General fund expenditures decreased from \$5,319,055 in fiscal 2008 to \$5,178,183 in fiscal 2009. The District's General fund balance increased from \$725,867 at the end of fiscal 2008 to \$884,355 at the end of fiscal 2009, a 22% increase.

The increase in General fund revenues was attributable mainly due to an increase in state sources, which included the American Recovery and Reinvestment Act funds. The decrease in expenditures was due primarily to staffing cuts and utilizing cost saving measures district-wide. The General fund balance increase is the result of controlling expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Nets Assets and a Statement of Activities. These provide information about the activities of Sioux Central Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report Sioux Central Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Sioux Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

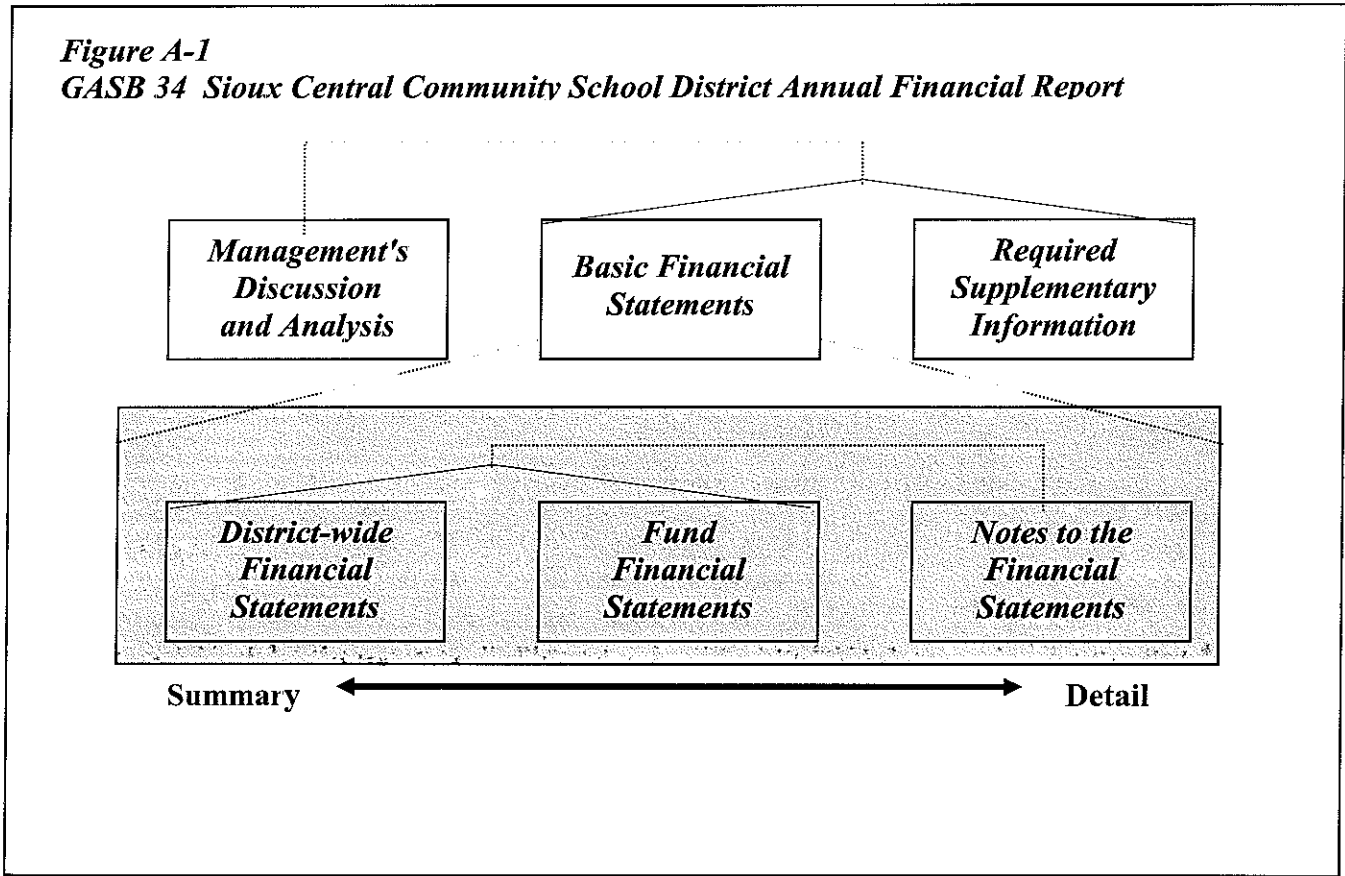


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement change in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activity		Total District	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 5,522,530	\$ 3,741,621	\$ 38,844	\$ 24,181	\$ 5,561,374	\$ 3,765,802
Capital Assets	5,178,825	5,289,284	16,495	21,124	5,195,320	5,310,408
Total Assets	10,701,355	9,030,905	55,339	45,305	10,756,694	9,076,210
Current Liabilities	4,090,959	2,590,127	19,812	-	4,110,771	2,590,127
Non-Current Liabilities	2,071,050	2,455,000	-	-	2,071,050	2,455,000
Total Liabilities	6,162,009	5,045,127	19,812	-	6,181,821	5,045,127
Net Assets Invested in Capital Assets, Net of Related Debt	3,107,775	2,834,284	16,495	21,124	3,124,270	2,855,408
Restricted	422,107	230,399	-	-	422,107	230,399
Unrestricted	1,009,464	921,095	19,032	24,181	1,028,496	945,276
Total Net Assets	\$ 4,539,346	\$ 3,985,778	\$ 35,527	\$ 45,305	\$ 4,574,873	\$ 4,031,083

The District's combined net assets were larger at June 30, 2009 than June 30, 2008. The increase occurred as a result of using current revenues to purchase fixed assets and reduce long-term debt.

Figure A-4 shows the changes in net assets.

Figure A-4

Changes in Net Assets from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2009	2008	2009	2008	2009	2008	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,633,904	\$ 1,473,214	\$ 169,691	\$ 156,270	\$ 1,803,595	\$ 1,629,484	10.69%
Operating Grants and Contributions	816,806	711,216	141,223	120,101	958,029	831,317	15.24%
General Revenues:							
Property Tax	2,258,097	2,229,840	-	-	2,258,097	2,229,840	1.27%
LOSST Tax	221,469	229,463	-	-	221,469	229,463	-3.48%
State Grants	1,467,021	1,442,761	-	-	1,467,021	1,442,761	1.68%
Interest Income	58,018	47,433	448	935	58,466	48,368	20.88%
Contributions	-	18	-	-	-	18	-100.00%
Miscellaneous	9,791	12,237	-	-	9,791	12,237	-19.99%
Total Revenues	6,465,106	6,146,182	311,362	277,306	6,776,468	6,423,488	5.50%
Expenses:							
Instruction	3,860,365	3,798,535	-	-	3,860,365	3,798,535	1.63%
Support Services	1,609,693	1,740,137	-	-	1,609,693	1,740,137	-7.50%
Non-Instructional	-	-	321,140	306,035	321,140	306,035	4.94%
Other Expenses	441,480	443,921	-	-	441,480	443,921	-0.55%
Total Expenses	5,911,538	5,982,593	321,140	306,035	6,232,678	6,288,628	-0.89%
Change in Net Assets	\$ 553,568	\$ 163,589	\$ (9,778)	\$ (28,729)	\$ 543,790	\$ 134,860	303.23%

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 92% of the total expenses.

The District's total revenues were approximately \$6.7 million, of which \$6.4 million was for governmental activities and \$300 thousand was for business type activities.

As show in Figure A-4, the district as a whole experience a 5.5% increase in revenues and a .89% decrease in expenses. The increase in General Fund revenues was attributable mainly to an increase in state sources, which included the American Recovery and Reinvestment Act funds. The decrease in expenditures was due primarily to staffing cuts and utilizing cost saving measures district-wide.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2009 were \$6,465,106 and expenses were \$5,911,538.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	% Change	2009	2008	% Change
Instruction	\$ 3,860,365	\$ 3,798,535	1.63%	\$ 1,602,278	\$ 1,779,574	-9.96%
Support Services	1,609,693	1,740,137	-7.50%	1,579,302	1,732,079	-8.82%
Other Expenses	441,480	443,921	-0.55%	279,248	286,510	-2.53%
Total	\$ 5,911,538	\$ 5,982,593	-1.19%	\$ 3,460,828	\$ 3,798,163	-8.88%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,633,904 in 2009.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$816,806 in 2009.
- The net cost of governmental activities was financed with \$2,479,566 in property taxes and other taxes and \$1,467,021 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$311,362 representing a 15.9% increase over the prior year, while expenses totaled \$321,140, a 4.9% increase over the prior year. (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Increased food costs account for the increase in expenses.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sioux Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,446,288, a twenty four percent increase over last year's ending fund balances of \$1,169,119.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by cutting staff and expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased due primarily to an increase in the cost of food.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis of accounting. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of the is report.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2009, the District had invested \$5.1 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$233,180.

The original cost of the District's capital assets was \$10,720,015. Governmental funds account for \$10,647,736 with the remainder of \$72,278 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2009	2008	2009	2008	2009	2008	
Land	\$ 125,495	\$ 125,495	\$ -	\$ -	\$ 125,495	\$ 125,495	0.00%
Construction in Progress	15,821	-	-	-	15,821	-	100.00%
Buildings	6,476,302	6,476,302	-	-	6,476,302	6,476,302	0.00%
Improvements	58,025	58,025	-	-	58,025	58,025	0.00%
Equipment, Furniture & Vehicles	3,972,093	3,869,822	72,279	72,278	4,044,372	3,942,100	2.59%
Total	\$ 10,647,736	\$ 10,529,644	\$ 72,279	\$ 72,278	\$ 10,720,015	\$ 10,601,922	1.11%

Long-Term Debt

At year-end, the District had \$2,071,050 of general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 16% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2009	2008	
General Obligation Bonds	\$ 2,071,050	\$ 2,455,000	-15.64%
Total	\$ 2,071,050	\$ 2,455,000	-15.64%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District has completed five years of a sharing agreement with Albert City – Truesdale Community School District for academics. The agreement is going well. The administration is keeping communication lines open with other neighboring districts for the possibility of future sharing.
- The District is also continuing a sharing agreement with South Clay that has been going for over 10 years. South Clay Community School District has begun the dissolution process, and will close its doors on June 30, 2010. At that time, Sioux Central will absorb a portion of their district, as well as gaining students.
- The District is currently experiencing a steady enrollment trend.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- Health insurance continues to be a very costly item to the District. The rates are continuing to increase and are extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. “No Child Left Behind”, “Student Achievement and Teacher Quality Act”, and “GASB 34”, to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

BASIC FINANCIAL STATEMENTS

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 1,616,047	\$ -	\$ 1,616,047
Other	1,031,154	29,447	1,060,601
Receivables:			
Property Tax	27,287	-	27,287
Property Tax - Succeeding Year	2,295,508	-	2,295,508
Accounts	13,113	-	13,113
Due from Other Governmental Agencies	510,840	-	510,840
Internal Balances	19,657	(19,657)	-
Accrued Interest:			
ISCAP	8,924	-	8,924
Inventories	-	9,397	9,397
Land	125,495	-	125,495
Construction in Progress	15,821	-	15,821
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,037,509	16,495	5,054,004
Total Assets	<u>10,701,355</u>	<u>35,682</u>	<u>10,737,037</u>
Liabilities			
Accounts Payable	132,517	95	132,612
Accrued Wages and Payroll Liabilities	25,601	60	25,661
Accrued Interest Payable	14,717	-	14,717
Deferred Revenue - Succeeding Year Taxes	2,295,508	-	2,295,508
ISCAP Warrants Payable	1,592,000	-	1,592,000
Unamortized Premium on ISCAP	27,566	-	27,566
ISCAP Accrued Interest Payable	3,050	-	3,050
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	465,000	-	465,000
Debt Due in More Than One Year:			
Bonds Payable	1,606,050	-	1,606,050
Total Liabilities	<u>6,162,009</u>	<u>155</u>	<u>6,162,164</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,107,775	16,495	3,124,270
Restricted for:			
Categorical Funding	29,887	-	29,887
Debt Service	56,450	-	56,450
Other Special Revenue Purposes	82,452	-	82,452
Management Levy	238,601	-	238,601
Unrestricted	1,024,181	19,032	1,043,213
Total Net Assets	<u>\$ 4,539,346</u>	<u>\$ 35,527</u>	<u>\$ 4,574,873</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,236,432	\$ 922,179	\$ 446,209	\$ -
Special Instruction	768,164	517,696	22,187	-
Other Instruction	855,769	194,029	155,787	-
Support Services:				
Student Services	67,669	-	3,662	-
Instructional Staff Services	121,392	-	26,729	-
Administration Services	474,403	-	-	-
Operations and Maintenance	544,208	-	-	-
Transportation Services	253,982	-	-	-
Central Support Services	148,039	-	-	-
Other Expenditures:				
Long-term Debt Interest and Fiscal Charges	103,702	-	-	-
AEA Flow-Through	162,232	-	162,232	-
Unallocated Depreciation*	175,546	-	-	-
Total Governmental Activities	5,911,538	1,633,904	816,806	-
Business-Type Activities:				
School Nutrition Fund	321,140	169,691	141,223	-
Total School District	\$ 6,232,678	\$ 1,803,595	\$ 958,029	\$ -

General Revenues:

Property Tax Levied For:
 General Purposes
 Debt Service
 Management Levy
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (868,044)		\$ (868,044)
(228,281)		(228,281)
(505,953)		(505,953)
(64,007)		(64,007)
(94,663)		(94,663)
(474,403)		(474,403)
(544,208)		(544,208)
(253,982)		(253,982)
(148,039)		(148,039)
(103,702)		(103,702)
-		-
(175,546)		(175,546)
(3,460,828)		(3,460,828)
-	(10,226)	(10,226)
(3,460,828)	(10,226)	(3,471,054)
1,566,088	-	1,566,088
511,905	-	511,905
180,104	-	180,104
221,469	-	221,469
1,467,021	-	1,467,021
58,018	448	58,466
9,791	-	9,791
4,014,396	448	4,014,844
553,568	(9,778)	543,790
3,985,778	45,305	4,031,083
\$ 4,539,346	\$ 35,527	\$ 4,574,873

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Pooled Investments:					
ISCAP	\$ 1,616,047	\$ -	\$ -	\$ -	\$ 1,616,047
Other	700,157	60,938	166,170	103,889	1,031,154
Receivables:					
Property Taxes	18,925	6,186	-	2,176	27,287
Property Taxes - Succeeding Year	1,644,201	499,600	-	151,707	2,295,508
Other Accounts Receivable	13,113	-	-	-	13,113
Accrued Interest:					
ISCAP	8,924	-	-	-	8,924
Due from Other Governmental Agencies	458,882	-	51,958	-	510,840
Due from Other Funds	19,657	4,043	-	224,388	248,088
Total Assets	4,479,906	570,767	218,128	482,160	5,750,961
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	74,702	-	48,415	9,400	132,517
Accrued Wages and Payroll Liabilities	25,601	-	-	-	25,601
ISCAP Warrants Payable	1,592,000	-	-	-	1,592,000
Unamortized Premium on ISCAP	27,566	-	-	-	27,566
ISCAP Accrued Interest Payable	3,050	-	-	-	3,050
Due to Other Funds	228,431	-	-	-	228,431
Deferred Revenue - Succeeding Year Taxes	1,644,201	499,600	-	151,707	2,295,508
Total Liabilities	3,595,551	499,600	48,415	161,107	4,304,673
Fund Balances					
Reserved for:					
Categorical Funding	29,887	-	-	-	29,887
Debt Service	-	71,167	-	-	71,167
Unreserved for:					
General Fund	854,468	-	-	-	854,468
Special Revenue Fund	-	-	-	321,053	321,053
Capital Project Fund	-	-	169,713	-	169,713
Total Fund Balances	884,355	71,167	169,713	321,053	1,446,288
Total Liabilities and Fund Balances	\$ 4,479,906	\$ 570,767	\$ 218,128	\$ 482,160	\$ 5,750,961

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2009**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,446,288
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,178,825
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(14,717)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(2,071,050)</u>
Total Net Assets - Governmental Activities (page 13)	<u>\$ 4,539,346</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	\$ 1,566,088	\$ 511,905	\$ 221,469	\$ 180,104	\$ 2,479,566
Tuition	1,386,709	-	-	-	1,386,709
Other	116,845	2,401	2,401	210,155	331,802
State Sources	2,033,568	-	-	-	2,033,568
Federal Sources	233,461	-	-	-	233,461
Total Revenues	<u>5,336,671</u>	<u>514,306</u>	<u>223,870</u>	<u>390,259</u>	<u>6,465,106</u>
Expenditures					
Instruction:					
Regular Instruction	2,120,781	-	94,389	15,663	2,230,833
Special Instruction	768,164	-	-	-	768,164
Other Instruction	670,939	-	-	184,830	855,769
Support Services:					
Student Services	66,809	-	860	-	67,669
Instructional Staff Services	116,626	-	-	4,766	121,392
Administration Services	472,059	414	-	1,930	474,403
Operations and Maintenance	442,493	-	84,174	55,223	581,890
Transportation Services	210,041	-	71,945	5,000	286,986
Central Support Services	148,039	-	-	-	148,039
Other Expenditures:					
Long-Term Debt:					
Principal	-	405,000	-	-	405,000
Interest and Fiscal Charges	-	106,610	-	-	106,610
AEA Flow-Through	162,232	-	-	-	162,232
Total Expenditures	<u>5,178,183</u>	<u>512,024</u>	<u>251,368</u>	<u>267,412</u>	<u>6,208,987</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>158,488</u>	<u>2,282</u>	<u>(27,498)</u>	<u>122,847</u>	<u>256,119</u>
Other Financing Sources					
Bond Proceeds	-	21,050	-	-	21,050
Total Other Financing Sources	<u>-</u>	<u>21,050</u>	<u>-</u>	<u>-</u>	<u>21,050</u>
Net Change in Fund Balance	<u>158,488</u>	<u>23,332</u>	<u>(27,498)</u>	<u>122,847</u>	<u>277,169</u>
Fund Balances at Beginning of Year	<u>725,867</u>	<u>47,835</u>	<u>197,211</u>	<u>198,206</u>	<u>1,169,119</u>
Fund Balances at End of Year	<u>\$ 884,355</u>	<u>\$ 71,167</u>	<u>\$ 169,713</u>	<u>\$ 321,053</u>	<u>\$ 1,446,288</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 18)	\$	277,169
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	118,092		
Depreciation expense	<u>(228,551)</u>		(110,459)

Accrued interest expense that does not require current financial resources		2,908
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Bond proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets.		(21,050)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:

		<u>405,000</u>
Change in Net Assets of Governmental Activities (page 15)	\$	<u>553,568</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 29,447
Inventories	9,397
Total Current Assets	<u>38,844</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>16,495</u>
Total Assets	<u>55,339</u>
Liabilities	
Accounts Payable	95
Salaries and Benefits Payable	60
Due to Other Funds	<u>19,657</u>
Total Liabilities	<u>19,812</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	16,495
Unrestricted	<u>19,032</u>
Total Net Assets	<u>\$ 35,527</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	School Nutrition Fund
Operating Revenues:	
Charges for Services	\$ 153,744
Miscellaneous	15,947
Total Operating Revenue	<u>169,691</u>
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	97,983
Benefits	44,039
Food	162,252
Supplies	10,288
Other Expense	1,949
Depreciation	4,629
Total Operating Expenses	<u>321,140</u>
Operating (Loss)	(151,449)
Non-Operating Revenue:	
Interest Income	448
State Lunch Reimbursements	3,670
National School Lunch Program	112,679
Federal Food Commodities Received	24,874
Total Non-Operating Revenue	<u>141,671</u>
Change in Net Assets	(9,778)
Net Assets - Beginning	<u>45,305</u>
Net Assets - Ending	<u><u>\$ 35,527</u></u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	School Nutrition Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 170,126
Cash Payments for Salaries and Benefits	(141,962)
Cash Payments for Goods and Services	(150,585)
Net Cash (Used) by Operating Activities	<u>(122,421)</u>
Cash Flows from Non-Capital Financing Activities	
Federal and State Appropriations Received	116,349
Cash Received from General Fund	19,657
Net Cash Provided by Non-Capital Financing Activities	<u>136,006</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>448</u>
Net Increase in Cash and Cash Equivalents	14,033
Cash and Cash Equivalents at Beginning of Year	<u>15,414</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 29,447</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	\$ (151,449)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	4,629
Commodities Used	24,874
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	435
Increase in Inventory	(1,065)
Increase in Accounts Payable	95
Increase in Salaries and Benefits Payable	<u>60</u>
Net Cash (Used) by Operating Activities	<u><u>\$ (122,421)</u></u>
Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	<u><u>\$ 24,874</u></u>

See Accompanying Notes to Financial Statements

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Lynn Grove and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements -- The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets***, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental and proprietary funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.
- The **Capital Projects Fund** is used to account for all resources used in the acquisition and construction of capital facilities.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The District's proprietary fund is the **Enterprise, School Nutrition Fund**. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 included certificates of deposits of \$428,388 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 10,000
Other Furniture and Equipment	\$ 10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts and related employee benefits would be reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties or use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June, 30, 2009, expenditures in the non-instructional programs exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2 – CASH AND POOLED INVESTMENTS (Continued)

The reconciliation of cash and cash equivalents and temporary cash and pooled investments for the District at June 30, 2009 is as follows:

Cash and Cash Equivalents	\$ 632,213
Certificates of Deposit	428,388
ISCAP	<u>1,616,047</u>
	<u>\$ 2,676,648</u>

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

Note 3 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	06/26/2008	06/25/2009	\$ -	\$ 5,166	\$ -	\$ -
2008-09B	01/21/2009	01/21/2010	389,936	3,607	385,000	2,899
2009-10A	06/25/2009	06/23/2010	1,226,111	151	1,207,000	151
Total			<u>\$ 1,616,047</u>	<u>\$ 8,924</u>	<u>\$ 1,592,000</u>	<u>\$ 3,050</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (Continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

Note 4 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 125,495	\$ -	\$ -	\$ 125,495
Construction in Progress	-	15,821	-	15,821
Total assets not being depreciated	125,495	15,821	-	141,316
Capital assets being depreciated:				
Buildings	6,476,302	-	-	6,476,302
Improvements other than buildings	58,025	-	-	58,025
Furniture and Equipment	3,869,822	102,271	-	3,972,093
Total capital assets being depreciated	10,404,149	102,271	-	10,506,420
Less: Accumulated Depreciation for:				
Buildings	1,667,959	132,503	-	1,800,462
Improvements other than buildings	11,604	2,901	-	14,505
Furniture and Equipment	3,560,797	93,147	-	3,653,944
Total Accumulated Depreciation	5,240,360	228,551	-	5,468,911
Total capital assets being depreciated, net	5,163,789	(126,280)	-	5,037,509
Governmental activities capital assets, net	\$ 5,289,284	\$ (110,459)	\$ -	\$ 5,178,825
Business-type Activity:				
Furniture and Equipment	\$ 72,278	\$ -	\$ -	\$ 72,278
Less Accumulated Depreciation	51,154	4,629	-	55,783
Business-type activity capital assets, net	\$ 21,124	\$ (4,629)	\$ -	\$ 16,495

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

Transportation Services	\$ 38,941
Regular Instruction	5,599
Operation and Maintenance	8,465
Unallocated	175,546
Total depreciation expense - governmental activities	<u>\$ 228,551</u>

Business-type Activities:

Food Service Operations	<u>\$ 4,629</u>
-------------------------	-----------------

Reconciliation of Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Land	\$ 125,495	\$ -
Construction in Progress	15,821	
Capital Assets (net of accumulated depreciation)	5,037,509	16,495
Less: Bonds Payable	<u>2,071,050</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 3,107,775</u>	<u>\$ 16,495</u>

Note 5 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 2,455,000	\$ 21,050	\$ 405,000	\$ 2,071,050	\$ 465,000
Long-Term Liabilities	<u>\$ 2,455,000</u>	<u>\$ 21,050</u>	<u>\$ 405,000</u>	<u>\$ 2,071,050</u>	<u>\$ 465,000</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 5 – LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Refunding Bond Issue of May 1, 1999	
		Principal	Interest
2010	1.60	465,000	32,463
2011	1.60	455,000	35,525
2012	2.10	470,000	28,245
2013	2.45	475,000	18,375
2014	2.75	206,050	6,737
Total		<u>\$ 2,071,050</u>	<u>\$ 121,345</u>

Note 6 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2009, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
Management Fund	General Fund	\$ 224,388
Debt Service Fund	General Fund	4,043
General Fund	Nutrition Fund	19,657
		<u>\$ 248,088</u>

The purpose of the interfund balances is for pooled cash in which the General Fund owes the Management Fund, for Debt Service property taxes deposited in the General Fund, and for payroll that was generated and paid through the General Fund which was for the Nutrition Fund.

Note 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7 – PENSION AND RETIREMENT BENEFITS (Continued)

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$209,032, \$188,608, and \$167,351, respectively, equal to the required contributions for each year.

Note 8 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$162,232 for the year ended June 30, 2009, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9 – RISK MANAGEMENT

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Sioux Central Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10- SUBSEQUENT EVENT

In July of 2009 the District issued General Obligation School Refunding Bonds in the amount of \$2,110,000.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts					
Local Sources:					
Local Taxes	\$ 2,479,566	\$ -	\$ 2,479,566	\$ 2,256,794	\$ 222,772
Tuition	1,386,709	-	1,386,709	1,200,000	186,709
Other	331,802	170,139	501,941	893,000	(391,059)
State Sources	2,033,568	3,670	2,037,238	2,135,633	(98,395)
Federal Sources	233,461	137,553	371,014	340,000	31,014
Total Receipts	<u>6,465,106</u>	<u>311,362</u>	<u>6,776,468</u>	<u>6,825,427</u>	<u>(48,959)</u>
Expenditures					
Instruction	3,854,766	-	3,854,766	4,000,000	145,234
Support Services	1,680,379	-	1,680,379	2,220,000	539,621
Non-Instructional Programs	-	321,140	321,140	320,000	(1,140)
Other Expenditures	673,842	-	673,842	1,177,332	503,490
Total Expenditures	<u>6,208,987</u>	<u>321,140</u>	<u>6,530,127</u>	<u>7,717,332</u>	<u>1,187,205</u>
Excess (Deficiency) of Revenues Over Expenditures	256,119	(9,778)	246,341	(891,905)	1,138,246
Other Financing Sources (Uses)					
Bond Proceeds	<u>21,050</u>	<u>-</u>	<u>21,050</u>	<u>-</u>	<u>21,050</u>
Total Other Financing Sources (Uses)	<u>21,050</u>	<u>-</u>	<u>21,050</u>	<u>-</u>	<u>21,050</u>
Change in Fund Balance	277,169	(9,778)	267,391	(891,905)	1,159,296
Fund Balance at Beginning of Year	<u>1,169,119</u>	<u>45,305</u>	<u>1,214,424</u>	<u>1,214,424</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,446,288</u>	<u>\$ 35,527</u>	<u>\$ 1,481,815</u>	<u>\$ 322,519</u>	<u>\$ 1,159,296</u>

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2009, expenditures in the non-instructional programs in the Nutrition Fund exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

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**OTHER SUPPLEMENTARY
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2009**

SCHEDULE 1

	Special Revenue Funds			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and Cash Equivalents	\$ 12,037	\$ 91,852	\$ -	\$ 103,889
Receivables:				
Property Tax	2,176	-	-	2,176
Succeeding Year Property Tax	99,999	-	51,708	151,707
Due from Other Funds	224,388	-	-	224,388
Total Assets	<u>338,600</u>	<u>91,852</u>	<u>51,708</u>	<u>482,160</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	-	9,400	-	9,400
Deferred Revenue - Succeeding Year Taxes	99,999	-	51,708	151,707
Total Liabilities	<u>99,999</u>	<u>9,400</u>	<u>51,708</u>	<u>161,107</u>
Fund Balances				
Unreserved for:				
Special Revenue Funds	238,601	82,452	-	321,053
Total Fund Balances	<u>238,601</u>	<u>82,452</u>	<u>-</u>	<u>321,053</u>
Total Liabilities and Fund Balance	<u>\$ 338,600</u>	<u>\$ 91,852</u>	<u>\$ 51,708</u>	<u>\$ 482,160</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT **SCHEDULE 2**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues				
Local Sources				
Local Tax	\$ 180,104	\$ -	\$ -	\$ 180,104
Other	9,791	190,530	3,500	203,821
Interest	4,944	1,390	-	6,334
Total Revenues	<u>194,839</u>	<u>191,920</u>	<u>3,500</u>	<u>390,259</u>
Expenditures				
Instruction:				
Regular Instruction	14,146	-	1,517	15,663
Other Instruction	-	184,830	-	184,830
Support Services:				
Instructional Staff Services	-	4,766	-	4,766
Administration Services	1,930	-	-	1,930
Operation and Maintenance	55,223	-	-	55,223
Transportation Services	5,000	-	-	5,000
Total Expenditures	<u>76,299</u>	<u>189,596</u>	<u>1,517</u>	<u>267,412</u>
Net Change in Fund Balances	118,540	2,324	1,983	122,847
Fund Balances at Beginning of Year	<u>120,061</u>	<u>80,128</u>	<u>(1,983)</u>	<u>198,206</u>
Fund Balances at End of Year	<u>\$ 238,601</u>	<u>\$ 82,452</u>	<u>\$ -</u>	<u>\$ 321,053</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE 3

	Balance June 30, 2008	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2009
Senior High				
Drama	\$ 4,988	\$ 3,109	\$ 2,507	\$ 5,590
Spanish Club	1,851	12,795	14,510	136
Cross Country	705	3,870	3,827	748
Basketball	2,354	11,924	7,789	6,489
Football	6,361	8,782	7,988	7,155
Baseball/Softball	-	9,579	9,579	-
Track	-	9,326	8,724	602
Golf	-	1,848	679	1,169
Wrestling	986	1,638	1,131	1,493
Volleyball	831	2,578	2,154	1,255
Drill Team	2,692	9,885	9,124	3,453
SC Specialties	9	1,786	1,752	43
Cheerleading	373	5,346	5,719	-
Class of 2008	33	-	33	-
Class of 2009	2,816	1,959	4,097	678
Class of 2010	-	15,547	14,496	1,051
HS Student Council	7,485	4,316	4,333	7,468
National Honor Society	186	-	88	98
Awards Fund	3,805	9,615	8,448	4,972
HS Activity Pass	-	2,595	2,595	-
FFA	8,711	39,417	39,148	8,980
FBLA	257	4,462	3,288	1,431
Girl's Bowling	553	-	-	553
Yearbook	14,802	13,465	13,594	14,673
FCCLA	937	1,797	2,158	576
NASA	67	2,441	2,440	68
	<u>60,802</u>	<u>178,080</u>	<u>170,201</u>	<u>68,681</u>
Junior High				
JH Cross Country	1,131	-	-	1,131
JH Football	2,318	-	765	1,553
JH Baseball	310	969	536	743
JH Basketball	846	1,000	1,010	836
JH Volleyball	525	1,087	818	794
JH Softball	416	1,239	895	760
JH Track	599	1,040	805	834
JH Candy/Juice	1,770	5,943	7,150	563
JH Student Council	489	129	-	618
	<u>8,404</u>	<u>11,407</u>	<u>11,979</u>	<u>7,832</u>
Elementary				
Elementary Principal	2,297	(611)	1,331	355
Elementary Activity Pass	-	33	33	-
Elementary Book Fair	3,335	4,650	4,762	3,223
Box Tops	1,351	474	-	1,825
	<u>6,983</u>	<u>4,546</u>	<u>6,126</u>	<u>5,403</u>
Miscellaneous				
Interest	3,507	(3,403)	-	104
Adult Activity Pass	-	1,290	1,290	-
Electrathon	432	-	-	432
	<u>3,939</u>	<u>(2,113)</u>	<u>1,290</u>	<u>536</u>
Total for Activity Funds	<u>\$ 80,128</u>	<u>\$ 191,920</u>	<u>\$ 189,596</u>	<u>\$ 82,452</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

SCHEDULE 4

	Modified Accrual Basis of Accounting					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local Sources:						
Local Tax	\$ 2,479,566	\$ 2,459,303	\$ 2,660,552	\$ 2,441,883	\$ 2,456,291	\$ 2,298,569
Tuition	1,386,709	1,371,175	874,283	1,084,802	965,960	455,715
Other	331,802	333,626	440,522	257,772	236,111	197,783
State Sources	2,033,568	1,890,883	1,783,152	1,776,118	1,642,643	1,668,404
Federal Sources	233,461	261,894	266,668	579,219	724,543	452,558
	<u>\$ 6,465,106</u>	<u>\$ 6,316,881</u>	<u>\$ 6,025,177</u>	<u>\$ 6,139,794</u>	<u>\$ 6,025,548</u>	<u>\$ 5,073,029</u>
Expenditures:						
Instruction:						
Regular Instruction	\$ 2,230,833	\$ 2,410,734	\$ 2,181,684	\$ 2,025,004	\$ 2,226,542	\$ 2,310,179
Special Instruction	768,164	696,382	697,452	602,269	719,023	766,178
Other Instruction	855,769	708,080	661,804	626,805	550,065	296,798
Support Services:						
Student Services	67,669	126,873	121,965	123,217	96,495	138,816
Instructional Staff Services	121,392	129,937	97,055	288,543	99,138	56,183
Administration Services	474,403	490,359	431,054	613,163	662,386	430,562
Operations and Maintenance	581,890	664,229	691,900	520,064	513,389	428,161
Transportation Services	286,986	236,172	235,680	257,341	214,250	140,968
Central Support Services	148,039	121,399	136,057	115,021	93,214	-
Non-Instructional Programs	-	-	-	-	473	1,479
Other Expenditures:						
Judgements from Court Decision	-	-	5,000	-	-	-
Facilities Acquisition	-	-	-	10,000	117,016	33,693
Long-term Debt:						
Principal	405,000	390,000	392,889	452,804	290,000	336,578
Interest and Other Charges	106,610	122,795	138,121	156,047	221,243	244,075
AEA Flowthrough	162,232	157,411	153,027	161,131	146,814	151,819
	<u>\$ 6,208,987</u>	<u>\$ 6,254,371</u>	<u>\$ 5,943,688</u>	<u>\$ 5,951,409</u>	<u>\$ 5,950,048</u>	<u>\$ 5,335,489</u>

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Certified Public Accountants

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Sioux Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sioux Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sioux Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sioux Central Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 09-II-A and 09-II-B to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sioux Central Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sioux Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sioux Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Central Community School District and other parties to whom Sioux Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company, PC
Certified Public Accountants

Spencer, Iowa
December 9, 2009

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

09-II-A Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

09-II-B Financial Reporting

Observation – During our audit, we identified material amounts of receivables and an accounts payable not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and payables are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables and payables.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

09-III-A: Certified Budget – Expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the non-instructional programs in the Nutrition Fund.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The District will amend future budgets before expenditures exceed the budget.

Conclusion – Response accepted.

09-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

09-III-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.

09-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

09-III-E: Bond Coverage - Surety bond coverage of Sioux Central Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

09-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

09-III-G: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

09-III-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

09-III-I: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

09-III-J: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

09-III-K: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	-
Statewide Sales and Services Tax Revenue		221,469
Expenditures/Transfers Out:		
School Infrastructure:		
Land	\$	-
Buildings		-
Equipment		193,248
Other Improvements		58,120
Debt Service for School Infrastructure:		
General Obligation Debt		-
Revenue Debt		-
		<u>251,368</u>
Ending Balance	\$	<u>(29,899)</u>

09-III-K: Deficit Balances – No funds had deficit balances at June 30, 2009.